



December 12, 2001

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Ms. Magalie Roman Salas  
Secretary  
Federal Communications Commission  
TW-A325, The Portals  
445 Twelfth Street, SW  
Washington, D.C. 20554

FEDERAL COMMUNICATIONS COMMISSION  
WASHINGTON, D.C. 20554

RE: In the Matter of Applications for Consent to the Transfer of Control of Licenses and Section 214 Authorizations from Ameritech Corporation, Transferor, To SBC Communications, Inc., Transferee, (CC Docket No. 98-141) /

Dear Ms. Salas:

Pursuant of Condition XXIV additional Service Quality Reporting" (Condition 24) in Appendix C (Merger Conditions) regarding the SBC Communications Inc.'s (SBC) compliance with the conditions set forth in the Federal Communication Commission's (FCC's) Order approving the SBC/Ameritech Merger,<sup>1</sup> SBC submits herein the report of its independent auditor, Ernst & young LLP, regarding the Company's compliance during the period October 1, 2000 through December 31, 2000. As noted in its letter released August 13, 2001, the FCC granted an extension of time for SBC to report on Condition 24, Additional Quality Reporting until November 12, 2001.<sup>2</sup> An extension of time until December 12, 2001 was subsequently granted.<sup>3</sup>

Once SBC has had an opportunity to thoroughly conduct a review of this report and the auditor's work papers, SBC will be prepared to respond to or otherwise address any issues contained in them.

Sincerely,

A handwritten signature in cursive script, appearing to read "C. D. Moir".

Attachments

No. of Copies rec'd 0  
List A B C D E

<sup>1</sup> Applications of Ameritech Corp. and SBC Communications Inc. for Consent to Transfer Control of Corporations Holding Commission Licenses and Lines Pursuant to Section 214 and 310(d) of the Communications Act and Parts 5, 22, 24, 25, 63, 90, 95 and 101 of the Commission's Rules, CC Docket No. 98-141, Memorandum Opinion and Order, 14 FCC Rcd 14712 (1999) (Merger Order).

<sup>2</sup> Letter from Ms. Carol Matthey, FCC, to Ms. Sandra L. Wagner, SBC, adopted August 10, 2001 and released August 13, 2001.

<sup>3</sup> Letter from Ms. Carol Matthey, FCC to Ms. Michelle Thomas, SBC adopted November 9, 2001 and released November 13, 2001.

Cc: Ms. Carol Matthey  
Mr. Anthony Dale  
Mr. Hugh Boyle  
Mr. Mark Stephens

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OFFICE OF THE ATTORNEY GENERAL  
SAN ANTONIO, TEXAS

## Report of Independent Accountants

To the Management of SBC Communications Inc.

We have examined SBC Communications Inc.'s (the "Company") compliance with Merger Condition 24, "Additional Service Quality Reporting" ("Condition 24"), of the Merger Conditions<sup>1</sup> during the year ended December 31, 2000 and management's assertion, included in the accompanying Report of Management on Compliance with Additional Service Quality Reporting Requirements ("Report of Management"), that the Company complied with Condition 24 during the year ended December 31, 2000. Additionally, as discussed in paragraph three below, we have examined the accuracy and completeness of reported data related to eight service quality measurements calculated under the Business Rules<sup>2</sup> for the months of October, November, and December 2000 and management's assertion, included in the accompanying Report of Management, that the Company reported accurate and complete data related to the reporting of the eight service quality measurements calculated under the Business Rules for the months of October, November, and December 2000, except as noted therein. Management is responsible for the Company's compliance with Condition 24 and reporting of service quality data in accordance with the Business Rules. Our responsibility is to express an opinion based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the Company's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the Company's compliance with specified requirements.

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<sup>1</sup> Merger Conditions are set forth in the Appendix C of the Federal Communications Commission's ("FCC's") Order Approving the SBC/Ameritech Merger (*Applications of Ameritech Corp. and SBC Communications Inc. for Consent to Transfer Control of Corporations Holding Commission Licenses and Lines Pursuant to Section 214 and 310(d) of the Communications Act and Parts 5, 22, 24, 25, 63, 90, 95 and 101 of the Commission's Rules*, CC Docket No. 98-141, *Memorandum Opinion and Order*, 14 FCC Rcd 11712 (1999)).

<sup>2</sup> "Business Rules" refers to the criteria agreed to by the Company and the FCC Staff on August 13, 2001 for reporting additional service quality results. These Business Rules are documented at <https://clec.sbc.com/unrestr/custguide/clecarmis.cfm>.

To the Management of SBC Communications Inc.

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The Merger Conditions require the independent accountant to attest to the accuracy and completeness of the performance data provided to telecommunications carriers and regulators under the Merger Conditions. Based on the FCC Staff's interpretation of the Merger Conditions, the term "performance data" applies to both Condition 7 and Condition 24. However, under the Company's interpretation of the Merger Conditions, the Company does not believe that the scope of the independent accountant's attestation engagement regarding the Company's compliance with the Merger Conditions applies to the accuracy and completeness of service quality data in conjunction with Condition 24, but rather applies only to the accuracy and completeness of performance measurement data provided to telecommunications carriers and regulators in conjunction with Condition 7, "Carrier-to-Carrier Performance Plan." Due to the differing interpretations noted above, the FCC Staff and the Company agreed that Ernst & Young would test and report on the accuracy and completeness of eight service quality measurements as selected by the FCC Staff calculated under the Business Rules for the months of October, November, and December 2000 as restated by the Company. On November 13, 2001, the Company restated and filed with the FCC previously reported service quality results in accordance with the Business Rules for the months of October, November, and December 2000. The Company informed us that during the discussions of definitions between the Company and the FCC Staff, the Company indicated certain of the service quality measures could not be restated on a retroactive basis in accordance with the Business Rules due to limitations within the existing abilities of the Company's systems to retrieve the data needed to restate certain measures. The service quality measures that the Company informed us could not be restated for October, November, and December 2000 are Installation Line Number 130, "Number of orders pending more than 30 days," for all regions and Business Office results for Line 550 Answer Time Performance in the Ameritech states<sup>3</sup>. The FCC Staff selected eight service quality measures as listed below for Ernst & Young to test and report on the accuracy and completeness for the months of October, November, and December 2000 as restated by the Company on November 13, 2001.

#### Installation Measures

1. Line Number 100 – Number total basic service orders completed
2. Line Number 110 – Number of orders completed within five working days
3. Line Number 125 – Percentage orders completed by due date

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<sup>3</sup> "Ameritech states" refers to Illinois Bell Telephone Company; Indiana Bell Telephone Company, Incorporated; Michigan Bell Telephone Company; The Ohio Bell Telephone Company; and Wisconsin Bell, Inc. collectively.

To the Management of SBC Communications Inc.

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**Repair – Basic Service**

1. Line Number 300 – Number closed trouble reports
2. Line Number 301 – Number repeat trouble reports
3. Line Number 320 – Number repair commitments met
4. Line Number 345 – Percent service restored within 24 hours

**Answer Time Performance**

1. Line Number 550 – Average live attendant answer time (seconds)

Our examination disclosed the following material noncompliance related to the above eight service quality measures reported by the Company on November 13, 2001 as required by the FCC Staff in accordance with the Business Rules for the months of October, November, and December 2000:

- a. The Southern New England Telephone Company (“SNET”) improperly reported Installation Line Number 110 – Number of orders completed within five working days, as SNET reported the number of orders completed within three working days instead of five working days.
- b. Southwestern Bell Telephone Company improperly excluded service orders related to Centrex, Integrated Services Digital Network (“ISDN”), and coin from all Installation Measures noted above for the months of October, November, and December 2000.
- c. For Pacific Bell Telephone (“PB”) and Nevada Bell (“NB”), the service quality measures related to the Installation Measures noted above contained errors resulting from the improper classification of California orders as Nevada service orders. Additionally, the Company did not properly report disaggregation of service quality results at PB and NB for the Installation Measures noted above between MSA and non-MSA due to a data extraction error related to the coding of wire centers.
- d. For PB and NB, trouble reports related to certain wire centers were improperly excluded from reported results as these wire centers were not coded as MSA or non-MSA resulting in errors in the Repair – Basic Service line items noted above for the months of October, November, and December 2000.
- e. For the Ameritech states, a level of disaggregation, repair, for line number 550 for Answer Time Performance for the state of Ohio was incorrectly reported in October, November, and December 2000 due to the inclusion of abandoned calls

To the Management of SBC Communications Inc.

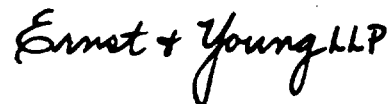
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that should have been excluded. For NB, answer time measures for October, November, and December 2000 repair results were overstated due to data retrieval errors. Additionally, as discussed in paragraph three above, the Company could not restate a Business Office level of disaggregation for Line 550 Answer Time Performance due to limitations within the existing abilities of the Company's systems to retrieve the data needed to restate this level of disaggregation for the Ameritech states.

In our opinion, the Company complied, in all material respects, with the Filing Requirements<sup>4</sup> of Condition 24 of the aforementioned Merger Conditions during the year ended December 31, 2000, including the filing of an accurate annual compliance report, limited to the Filing Requirements of Condition 24. Additionally, with the exception of the material noncompliance described above, the Company filed accurate and complete data on November 13, 2001 for the eight service quality measurements discussed above, in all material respects, in accordance with the Business Rules for the months of October, November, and December 2000.

\* \* \* \* \*

This report is intended solely for the information and use of the Company and the FCC and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.



December 11, 2001

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<sup>4</sup> "Filing Requirements" refers to the fact that the required quarterly filings were made no later than 50 days after the end of the quarter covered by the report, and does not address the accuracy and completeness of those filings.

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FEDERAL COMMUNICATIONS COMMISSION  
OFFICE OF THE COMMISSIONER

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Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the Company's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the Company's compliance with specified requirements.

<sup>1</sup> Merger Conditions are set forth in the Appendix C of the Federal Communications Commission's ("FCC's") Order Approving the SBC/Ameritech Merger (*Applications of Ameritech Corp. and SBC Communications Inc. for Consent to Transfer Control of Corporations Holding Commission Licenses and Lines Pursuant to Section 214 and 310(d) of the Communications Act and Parts 5, 22, 24, 25, 63, 90, 95 and 101 of the Commission's Rules*, CC Docket No. 98-141, *Memorandum Opinion and Order*, 14 FCC Rcd 11712 (1999)).

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#### Installation Measures

1. Line Number 100 – Number total basic service orders completed
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To the Management of SBC Communications Inc.

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**Repair – Basic Service**

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2. Line Number 301 – Number repeat trouble reports
3. Line Number 320 – Number repair commitments met
4. Line Number 345 – Percent service restored within 24 hours

**Answer Time Performance**

1. Line Number 550 – Average live attendant answer time (seconds)

Our examination disclosed the following material noncompliance related to the above eight service quality measures reported by the Company on November 13, 2001 as required by the FCC Staff in accordance with the Business Rules for the months of October, November, and December 2000:

- a. The Southern New England Telephone Company (“SNET”) improperly reported Installation Line Number 110 – Number of orders completed within five working days, as SNET reported the number of orders completed within three working days instead of five working days.
- b. Southwestern Bell Telephone Company improperly excluded service orders related to Centrex, Integrated Services Digital Network (“ISDN”), and coin from all Installation Measures noted above for the months of October, November, and December 2000.
- c. For Pacific Bell Telephone (“PB”) and Nevada Bell (“NB”), the service quality measures related to the Installation Measures noted above contained errors resulting from the improper classification of California orders as Nevada service orders. Additionally, the Company did not properly report disaggregation of service quality results at PB and NB for the Installation Measures noted above between MSA and non-MSA due to a data extraction error related to the coding of wire centers.
- d. For PB and NB, trouble reports related to certain wire centers were improperly excluded from reported results as these wire centers were not coded as MSA or non-MSA resulting in errors in the Repair – Basic Service line items noted above for the months of October, November, and December 2000.
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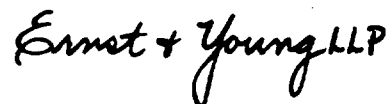
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In our opinion, the Company complied, in all material respects, with the Filing Requirements<sup>4</sup> of Condition 24 of the aforementioned Merger Conditions during the year ended December 31, 2000, including the filing of an accurate annual compliance report, limited to the Filing Requirements of Condition 24. Additionally, with the exception of the material noncompliance described above, the Company filed accurate and complete data on November 13, 2001 for the eight service quality measurements discussed above, in all material respects, in accordance with the Business Rules for the months of October, November, and December 2000.

\* \* \* \* \*

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December 11, 2001

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## Report of Independent Accountants

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FEDERAL COMMUNICATIONS COMMISSION  
OFFICE OF THE SECRETARY

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We have examined SBC Communications Inc.'s (the "Company") controls over compliance with Merger Condition 24, "Additional Service Quality Reporting" ("Condition 24"), of the Merger Conditions<sup>1</sup> during the year ended December 31, 2000 based on the criteria set forth in the Merger Conditions and management's assertion, included in the accompanying Report of Management on the Effectiveness of Controls over Compliance with Additional Service Quality Reporting Requirements ("Report of Management"), that the Company maintained effective controls over the Company's compliance with Condition 24 set forth in the Merger Conditions during the year ended December 31, 2000 based on the criteria set forth in the Merger Conditions. Additionally, as discussed in paragraph four below, we have examined the Company's controls over the process to calculate and report complete and accurate service quality data for eight service quality measurements based on the Business Rules<sup>2</sup> for the months of October, November, and December 2000 and management's assertion, included in the accompanying Report of Management, that the Company maintained effective controls over the process to calculate and report complete and accurate service quality data for eight service quality measurements based on the Business Rules for the months of October, November, and December 2000, except as noted therein. The Company's management is responsible for maintaining effective controls over compliance with Condition 24 and controls over the process to calculate and report complete and accurate service quality data. Our responsibility is to express an opinion based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included

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To the Management of SBC Communications Inc.

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obtaining an understanding of the Company's controls over compliance with Condition 24 and the Company's controls over the process to calculate and report complete and accurate service quality data, testing and evaluating the design and operating effectiveness of those controls, and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the effectiveness of the Company's controls over compliance with specified requirements.

Because of inherent limitations in any control, misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of controls over compliance with Condition 24 and processing of accurate and complete service quality measures for the eight specified service quality measurements to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

The Merger Conditions require the independent accountant to attest to the accuracy and completeness of the performance data provided to telecommunications carriers and regulators under the Merger Conditions. Based on the FCC Staff's interpretation of the Merger Conditions, the term "performance data" applied to both Condition 7 and Condition 24. However, under the Company's interpretation of the Merger Conditions, the Company does not believe that the scope of the independent accountant's attestation engagement regarding the Company's compliance with the Merger Conditions applies to the accuracy and completeness of service quality data in conjunction with Condition 24, but rather applies only to the accuracy and completeness of performance measurement data provided to telecommunications carriers and regulators in conjunction with Condition 7, "Carrier-to-Carrier Performance Plan." Due to the differing interpretations noted above, the FCC Staff and the Company agreed that Ernst & Young would test and report on the controls over the process to calculate and report complete and accurate service quality data for the eight measures selected by the FCC Staff calculated under the Business Rules for the months of October, November, and December 2000 as restated by the Company. On November 13, 2001, the Company restated and filed with the FCC previously reported service quality results in accordance with the Business Rules for the months of October, November, and December 2000. The Company informed us that during the discussions of definitions between the Company and the FCC Staff, the Company indicated that certain of the service quality measures could not be restated on a retroactive basis in accordance with the Business Rules due to limitations within the existing abilities of the Company's systems to retrieve the data needed to restate certain measures. The service quality measures that the Company informed us could not be restated for October, November, and December 2000 are Installation Line Number 130, "Number of orders pending more than 30 days," for all regions and Business Office

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results for Line 550 Answer Time Performance in the Ameritech states<sup>3</sup>. The FCC Staff selected eight restated service quality measures as listed below for Ernst & Young to test and report on the controls over the process to calculate and report accurate and complete service quality measures for the months of October, November, and December 2000 as restated by the Company on November 13, 2001 using the Business Rules.

**Installation Measures**

1. Line Number 100 – Number total basic service orders completed
2. Line Number 110 – Number of orders completed within five working days
3. Line Number 125 – Percentage orders completed by due date

**Repair – Basic Service**

1. Line Number 300 – Number closed trouble reports
2. Line Number 301 – Number repeat trouble reports
3. Line Number 320 – Number repair commitments met
4. Line Number 345 – Percent service restored within 24 hours

**Answer Time Performance**

1. Line Number 550 – Average live attendant answer time (seconds)

Our examination disclosed the following related to the Company's controls over the process to calculate complete and accurate service quality data:

- a. The processes used at The Southern New England Telephone Company did not include controls to ensure that the calculation of Line Number 110 – Number of orders completed within five working days was in accordance with the Business Rules.
- b. Southwestern Bell Telephone Company did not have a process in place to enable the Company to retrieve service orders from 2000 related to Centrex, Integrated Services Digital Network ("ISDN"), and coin.
- c. The processes used to report Installation Measures at Pacific Bell Telephone ("PB") and Nevada Bell ("NB") did not include review of information generated from wire centers to ensure that orders were reported with the proper state and that the wire center information was properly reported between MSA and non-MSA.

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To the Management of SBC Communications Inc.

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- d. Processes to ensure all wire centers were included in the Repair – Basic Service measures at PB and NB were not effective which resulted in the exclusion of certain wire centers and transactions related to Repair – Basic Service transactions from the reported results.
- e. The processes at NB did not include controls to ensure the appropriate source data was retrieved and used to report Answer Time Performance results. The processes at the Ameritech states did not include a review of the data used to report Answer Time Performance data to ensure proper data was used in reporting Answer Time Performance – repair, and did not have a process to enable the Company to retrieve data needed to restate a Business Office level of disaggregation related to Answer Time Performance.

In our opinion, the Company maintained, in all material respects, effective controls over Filing Requirements<sup>4</sup> related to compliance with Condition 24 during the year ended December 31, 2000 based on the criteria set forth in the Merger Conditions, including the filing of an accurate annual compliance report, limited to the Filing Requirements of Condition 24. Additionally, with the exception of the control deficiencies described above, the Company maintained, in all material respects, effective controls over the process to calculate and report complete and accurate service quality data based on the Business Rules for the months of October, November, and December 2000.

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*Ernst & Young LLP*

December 11, 2001

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1. Line Number 550 – Average live attendant answer time (seconds)

Our examination disclosed the following related to the Company's controls over the process to calculate complete and accurate service quality data:

- a. The processes used at The Southern New England Telephone Company did not include controls to ensure that the calculation of Line Number 110 – Number of orders completed within five working days was in accordance with the Business Rules.
- b. Southwestern Bell Telephone Company did not have a process in place to enable the Company to retrieve service orders from 2000 related to Centrex, Integrated Services Digital Network ("ISDN"), and coin.
- c. The processes used to report Installation Measures at Pacific Bell Telephone ("PB") and Nevada Bell ("NB") did not include review of information generated from wire centers to ensure that orders were reported with the proper state and that the wire center information was properly reported between MSA and non-MSA.

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<sup>3</sup> "Ameritech states" refers to Illinois Bell Telephone Company; Indiana Bell Telephone Company, Incorporated; Michigan Bell Telephone Company; The Ohio Bell Telephone Company; and Wisconsin Bell, Inc. collectively.

To the Management of SBC Communications Inc.

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- d. Processes to ensure all wire centers were included in the Repair – Basic Service measures at PB and NB were not effective which resulted in the exclusion of certain wire centers and transactions related to Repair – Basic Service transactions from the reported results.
- e. The processes at NB did not include controls to ensure the appropriate source data was retrieved and used to report Answer Time Performance results. The processes at the Ameritech states did not include a review of the data used to report Answer Time Performance data to ensure proper data was used in reporting Answer Time Performance – repair, and did not have a process to enable the Company to retrieve data needed to restate a Business Office level of disaggregation related to Answer Time Performance.

In our opinion, the Company maintained, in all material respects, effective controls over Filing Requirements<sup>4</sup> related to compliance with Condition 24 during the year ended December 31, 2000 based on the criteria set forth in the Merger Conditions, including the filing of an accurate annual compliance report, limited to the Filing Requirements of Condition 24. Additionally, with the exception of the control deficiencies described above, the Company maintained, in all material respects, effective controls over the process to calculate and report complete and accurate service quality data based on the Business Rules for the months of October, November, and December 2000.

\* \* \* \* \*

This report is intended solely for the information and use of the Company and the FCC and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

*Ernst & Young LLP*

December 11, 2001

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<sup>4</sup> "Filing Requirements" refers to the fact that the required quarterly filings were made no later than 50 days after the end of the quarter covered by the report, and does not address the accuracy and completeness of those filings.

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**Report of Management on Compliance  
With Additional Service Quality Reporting Requirements**

Management of SBC Communications Inc. (SBC or the Company) is responsible for complying with the requirements set forth in Condition 24 "Additional Service Quality Reporting" (Condition 24) in Appendix C (Merger Conditions) to the Federal Communications Commission's (FCC's) Order approving the SBC/Ameritech Merger<sup>1</sup>. Management is also responsible for establishing and maintaining effective controls over compliance with Condition 24.

Condition 24, which may be found at Paragraphs 62 and 63 of the Merger Conditions, sets forth the filing requirements for "Additional Service Quality Reporting" data<sup>2</sup>. Pursuant to the express language of Condition 24, SBC committed to (1) filing with the FCC on a quarterly basis, state-by-state retail service quality reports in accordance with the recommendations of the NARUC White Paper, which were replaced by Business Rules<sup>3</sup> adopted by the FCC Staff and the Company on August 13, 2001, (2) reporting on a quarterly basis separately for each of its operating companies ARMIS local service quality data in accordance with Table 1 of ARMIS Report No. 43-05, and (3) including this service quality data on an SBC/Ameritech Internet website or otherwise making such data available to the state commissions in the SBC/Ameritech states. On November 13, 2001, the Company restated and filed with the FCC Staff service quality results in accordance with the Business Rules for the months of October 2000 through December 2000. Additionally, the Company reiterated to the FCC Staff that as agreed to during the discussion of definitions, certain of the service quality measures could not be reported on a retroactive basis in accordance with the Business Rules due to limitations within existing abilities of the Company's systems to retrieve the data needed to restate certain measures. Upon agreement between the FCC Staff and the Company, the FCC Staff selected eight service quality measures as listed below for Ernst & Young to test and

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<sup>1</sup> *Applications of Ameritech Corp. and SBC Communications Inc. for Consent to Transfer Control of Corporations Holding Commission Licenses and Lines Pursuant to Section 214 and 310(d) of the Communications Act and Parts 5, 22, 24, 25, 63, 90, 95, and 101 of the Commission's Rules*, CC Docket No. 98-141, Memorandum Opinion and Order, 14 FCC Rcd 14712 (1999) (Merger Order.).

<sup>2</sup> The express language of Condition 24, and SBC's intent in proposing and agreeing to this condition, was to initiate a requirement to file service quality reports pursuant to the NARUC White Paper in all of the SBC/Ameritech states, to increase the frequency with which SBC filed ARMIS service quality reports, and to ensure the availability of both such reports to the state commissions. It is SBC's understanding that Condition 24 was not intended to modify longstanding Company processes and procedures utilized prior to the Merger Closing Date to produce and report NARUC and ARMIS service quality data. Moreover, it is SBC's understanding that nothing in Condition 24 was intended to subject SBC to any higher reporting standards than those generally applicable to the industry at large. It was on this basis that SBC agreed that E&Y would perform procedures and report on the accuracy and completeness of eight of the reporting items called for by the White Paper. SBC agreed to these limited audit procedures in order to assist SBC and the FCC to better understand and evaluate certain service quality report results.

<sup>3</sup> Business Rules refers to the criteria agreed to by the Company and the FCC Staff on August 13, 2001 for reporting additional service quality results. These Business Rules are documented at <https://clec.sbc.com/unrestr/custguide/clecarmis.cfm>.

**Report of Management on Compliance  
With Additional Service Quality Reporting Requirements**

report on the accuracy and completeness for the months of October 2000 through December 2000 as restated by the Company on November 13, 2001.<sup>4</sup>

Management has performed an evaluation of SBC's compliance with the requirements of Condition 24. SBC has also performed an evaluation of the accuracy and completeness of the service quality measures restated in accordance with the Business Rules for the eight line items listed below for the months of October 2000 through December 2000.

**Installation Measures**

1. Line Number 100 – Number total basic service orders completed
2. Line Number 110 – Number of orders completed within five working days
3. Line Number 125 – Percentage orders completed by due date

**Repair-Basic Service**

1. Line Number 300 – Number closed trouble reports
2. Line Number 301 – Number repeat trouble reports
3. Line Number 320 – Number repair commitments met
4. Line Number 345 – Percent service restored within 24 hours

**Answer Time Performance**

1. Line Number 550 – Average live attendant answer time (seconds)

Based on this evaluation, we assert that SBC complied with all requirements of Condition 24. In addition, service quality data for the eight reporting items above, for the months of October 2000 through December 2000, was complete and accurate except for the following instances:

- a. The Southern New England Telephone Company (SNET) improperly reported Installation Line Number 110 – Number of orders completed within five working days as SNET reported the number of orders completed within three working days instead of five working days. The Company will restate its 2000 fourth quarter results for this error.
- b. Southwestern Bell Telephone Company improperly excluded service orders related to Centrex, Integrated Services Digital Network (ISDN), and coin from all Installation Measures noted above. Due to the inability of the Company's systems to retrieve the data needed to restate these measures, the Company cannot restate these results.

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<sup>4</sup> The Company disclosed to the FCC staff prior to adopting the revised criteria on August 13, 2001 that it would be unable to provide historical results for one of the service quality measures selected by the FCC Staff, Installation Line Number 130 "Number orders pending more than 30 days" in accordance with the revised criteria due to the specified definition of held orders agreed to by the FCC staff and the Company. The Company also disclosed to the FCC Staff that, due to system limitations, Installation Measures 100, 110, and 125 could not be restated by Southern New England Telephone for months prior to June 2000, and by Pacific Bell and Nevada Bell for the months prior to October 2000. Furthermore, the Company disclosed that Ameritech data for Answer Time Performance Measure 550 and Nevada Bell Repair Answer Time Measures 500-570 could not be fully restated for 2000.

**Report of Management on Compliance  
With Additional Service Quality Reporting Requirements**

- c. For Pacific Bell Telephone (PB) and Nevada Bell (NB), the service quality measures related to the Installation Measures noted above contained errors resulting from the improper classification of California orders as Nevada service orders. Additionally, the Company did not properly report disaggregation of service quality results at PB and NB for the Installation Measures noted above between MSA and non-MSA due to a data extraction error related to the coding of wire centers. The Company will restate its 2000 fourth quarter results for this error.
- d. For PB and NB, trouble reports related to certain wire centers were improperly excluded from reported results as these wire centers were not coded as MSA or non-MSA resulting in errors in the Repair-Basic Service line items noted above for the quarter ended December 31, 2000. The Company will restate its 2000 fourth quarter results for this error.
- e. Ameritech-Ohio Answer Time results for Repair were overstated for the evaluation period due to the inclusion of calls abandoned by the customer. The Company will restate November and December 2000 results for these errors. Nevada Answer Time results for Repair contained errors during the quarter ended December 31, 2000 due to an incorrect data retrieval query. The Company will restate fourth quarter 2000 results for these errors.

The Company's compliance with Condition 24 is further detailed below:

- 1. SBC filed timely state-by-state retail service quality reports with the FCC, on a quarterly basis.
- 2. SBC reported on a quarterly basis ARMIS local service quality data required by the FCC separately for each of its operating companies in accordance with Table 1 of ARMIS Report No. 43-05.
- 3. SBC included the above service quality data on an SBC/Ameritech Internet website or otherwise made such data available to the state commissions in the SBC/Ameritech states.
- 4. On March 15, 2001, SBC filed an annual compliance report accurate to the best of its knowledge and belief at the time that it was filed with the FCC, which detailed its compliance with Condition 24 for the year ended December 31, 2000.

**Report of Management on Compliance  
With Additional Service Quality Reporting Requirements**

Very truly yours,

By: Van Taylor  
Van Taylor  
Senior Vice President-Network Services

Date: 12/12/01

**Report of Management on Compliance  
With Additional Service Quality Reporting Requirements**

Very truly yours,

By: CC Carr

Cassandra Carr

Senior Executive Vice President-  
External Affairs

Date: 12/12/01



**Report of Management on the Effectiveness of  
Controls over Compliance with the Additional  
Service Quality Reporting Requirements**

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WASHINGTON, D.C. 20541

Management of SBC Communications Inc. (SBC) is responsible for establishing and maintaining effective controls over SBC's compliance with Condition 24, Additional Service Quality Reporting (Condition 24) in Appendix C (Merger Conditions) of the Federal Communications Commission's (FCC's) Order approving the SBC/Ameritech Merger.<sup>1</sup> The controls are designed to provide reasonable but not absolute assurance to SBC's management and Board of Directors that SBC is in compliance with Condition 24.

Paragraphs 62 and 63 of the Merger Conditions set forth the filing requirements for "Additional Service Quality Reporting." Upon agreement between the FCC and SBC, Ernst & Young LLP was requested to perform procedures and report on the effectiveness of SBC's controls over the process to calculate accurate and complete service quality data for the eight reporting items listed below that were restated on November 13, 2001 for the months of October through December 2000, in accordance with Business Rules<sup>2</sup> agreed to by the FCC Staff and the Company on August 13, 2001. These report items were as follows:

**Installation Measures**

1. Line Number 100 – Number total basic service orders completed
2. Line Number 110 – Number orders of completed within five working days
3. Line Number 125 – Percentage orders completed by due date

**Repair-Basic Service**

1. Line Number 300 – Number closed trouble reports
2. Line Number 301 – Number repeat trouble reports
3. Line Number 320 – Number repair commitments met
4. Line Number 345 – Percent service restored within 24 hours

**Answer Time Performance**

1. Line Number 550 – Average live attendant answer time (seconds)

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<sup>1</sup> *Applications of Ameritech Corp. and SBC Communications Inc. for Consent to Transfer Control of Corporations Holding Commission Licenses and Lines Pursuant to Section 214 and 310(d) of the Communications Act and Parts 5, 22, 24, 25, 63, 90, 95, and 101 of the Commission's Rules*, CC Docket No. 98-141, Memorandum Opinion and Order, 14 FCC Rcd 14712 (1999).

<sup>2</sup> Business Rules refers to the criteria agreed to by the Company and the FCC Staff on August 13, 2001 for reporting additional service quality results. These Business Rules are documented at <https://clec.sbc.com/unrestr/custguide/clecarmis.cfm>.



## **Report of Management on the Effectiveness of Controls over Compliance with the Additional Service Quality Reporting Requirements**

There are inherent limitations in any control, including the possibility of human error and the circumvention or overriding of the controls. Accordingly, even effective controls can provide only reasonable assurance with respect to the achievement of the objectives of controls. Further, because of changes in conditions, the effectiveness of controls may vary over time.

SBC has determined that the objectives of the controls with respect to SBC's compliance with Condition 24 are to provide reasonable, but not absolute, assurance that SBC has complied with the criteria promulgated in Condition 24 of the FCC's Merger Conditions. SBC has also determined that the objectives of the controls with respect to service quality data, limited to the eight service quality measurements listed above, are to provide reasonable, but not absolute assurance that service quality measurements are complete and accurate.

SBC has assessed its controls over compliance with Condition 24. Based upon this assessment, SBC asserts that for the period of January 1, 2000 through December 31, 2000, its controls over compliance with Condition 24 were effective in providing reasonable assurance that SBC complied with Condition 24. Additionally, controls over the process to calculate service quality data for the eight service quality measurements listed above in accordance with the Business Rules, for the period of October 1, 2000 through December 31, 2000 were effective in providing reasonable assurance that the eight service quality measurements were accurate and complete except as follows:

As noted in the Report of Management on Compliance with Additional Service Quality Reporting Requirements, there were inaccuracies noted in the restated service quality reports submitted to the FCC Staff on November 13, 2001 in accordance with the revised criteria agreed upon by the FCC Staff and the Company on August 13, 2001. In particular, errors related to misclassifications of wirecenters as MSA or Non-MSA were attributed to deficiencies in certain SBC operating entities' controls over reporting data. The Company attributes other exceptions referenced in the Report of Management on Compliance with Additional Service Quality Reporting Requirements due to certain control deficiencies related to changes in the reporting systems and Business Rules, and the fact that the Company had a limited period of time between the date the criteria were agreed upon and the required date to submit restated data.

**Report of Management on the Effectiveness of  
Controls over Compliance with the Additional  
Service Quality Reporting Requirements**

Very truly yours,

By: 

Van Taylor

Senior Vice President-Network Services

Date: 12/12/01

**Report of Management on the Effectiveness of  
Controls over Compliance with the Additional  
Service Quality Reporting Requirements**

Very truly yours,

By: C.C. Carr  
Cassandra Carr  
Senior Executive Vice President-  
External Affairs

Date: 12/12/01